The US economy is on the brink. **Rouz 1/28 4:57 PM**[[1]](#footnote--1)

Kristian Rouz — **The** steady **appreciation** **of the** US **dollar** which coincided with the Federal Reserve's tightening of monetary conditions in late 2013 **might have brought the** overall **economy to the verge of a recession**, contributing significantly to the decline in corporate earnings. Meanwhile, as the burden of corporate debt lingers, the **debt-to-earnings ratio hit a 12-year high** in early 2016. Coupled with the negative effect the global headwinds have had on the overseas revenues of US enterprises, high corporate debt figures, which were never a major issue before, are becoming a cause for rising concern among investors. [Wall Street](http://sputniknews.com/business/20160126/1033734772/market-review-us-stocks.html" \t "_blank) has responded by urging policymakers in Washington to reconsider their approach to monetary policy. As the global economy struggles amid slow, inadequate expansion, with **demand** **for manufactured good s and raw materials at a multi-year low and weak inflation** across the advanced economies, the **risk of a new recession has prompted** wider **speculation**. The latest developments in the US, including the Third Avenue crash in high-yield debt (which was prompted by plunging oil prices), a prominent decline in the stock market and a slowdown in GDP expansion, have stirred a debate about whether the rather high level of corporate indebtedness might trigger a capsizing of the entire economy. The total volume of corporate bonds reached a record high in January at $29 trln, according to S&P data, although that is hardly a major concern by itself, as multinationals are usually sustainable enough to serve their obligations, while the robust expansion in bonds dealing provides substantial support to the broader financial market and the overall economy. The risk is, while US corporate earnings are being slashed by the dollar's FX rate strength, on the ond hand, and international economic deceleration on the other, the debt-to-earnings ratio in the corporate sector is rising, undermining the very stability of the entire structure. In 2003, the corporate debt-to-earnings ratio stood at 2.7%, according to S&P Capital and S&P Ratings data; currently it is at 3.0%, its 12-year highest. In 2009, when the subprime crisis went international, the figure stood at 2.9%, meaning the current global turmoil, albeit hardly tantamount to economic disaster, is nevertheless having a greater impact on global financial stability than a regular crisis. **Downgrades in credit ratings** are another concern, as most recently the number of downgrades performed by international rating agencies **reached its highest since** 20**09**, meaning the debt-fueled post-crisis recovery was not a wise strategy for the corporate sector overall. Debt imbursement helped companies achieve short-to-mid-term performance targets, but in the longer run, given the risks that emerged, it has put corporations in jeopardy. Meanwhile, as bond markets retain a relative degree of stability compared to equity markets internationally, there are indications of a credit squeeze. Bond investors are rushing into governmental bonds, and avoiding corporations in light of shrinking earnings. The spread between average benchmark government yield and yield on an average corporate debt security has risen to 1.83% in January, a three-year high, while in March the figure stood at as low as 1.18%, as outlined in Bank of America Merrill Lynch calculations. Additionally, as corporate earnings faded, bond investors lost 0.2% on their portfolios in 2015 after average gains of 7.9% in 2009-2014. Newly-issued bonds are hard to sell in such an environment, meaning debt imbursement strategies might eventually be abandoned by market participants. In January 2016, some $333 bln worth of new bonds were issued, the least since 2005, while in January 2009 some $450 bln worth of bonds were put out in the market, and in January 2013 the figure reached $480 bln. "The world is not as rich as it thought it was," Eden Riche of the London branch of ING Bank NV said. "There are a number of factors coming together all at once — deflating global asset bubbles, the collapse in the commodity market, China's slowdown, and concerns that the Federal Reserve will raise rates too quickly. It's created the perfect storm." While either base interest rates are rising higher, as in the US, or there are clearly communicated plans to hike rates, as in Britain, the overall credit-fueled expansion might soon be over. **Many** prominent **economies**, including those of the US, the US and China, **have taken considerable effort to remodel their structure** in favor of a domestically-driven consumption based model: the example of manufacturing-reliant Germany is another particular case. Even though most economies have developed an addiction to monetary stimulus during the post-2009 recovery, with central banks printing liquidity and supporting demand for bonds buying those out, the tough transformation has started, as the sustainability of a stimulus-driven economy has proven to be low.

The gun industry is thriving in the squo and the plan kills it. Guns are key to the economic growth. **Murphy 15[[2]](#footnote-0)**

**THE U**nited **S**tates **is** probably **stuck with** its **guns**. **They are such a big part of its economy, the country** simply **can’t afford to give them up**. Australia can be very proud and very happy we have not allowed our country to go down the American path, where [a mass shooting happens every few days](http://www.shootingtracker.com/wiki/Mass_Shootings_in_2015). If you were designing a system to make it impossible to get rid of guns, you’d probably just copy the US. But **the American gun industry is thriving**. **There are already 300 million guns** in US **and the nation makes** another **10 million a year** — from the [smallest pistols](http://bondarms.com/)to the[beefiest shotguns](http://www.remington.com/products/firearms/tactical/shotguns/model-870-express-pistol-grip.aspx). America is also a big market for foreign makers. Each year 3 million guns are imported from around the world to be fired — or just admired — in the US. **The gun industry** is rich. It **provides good jobs paying good money in factories and firing ranges all over the country**. **It grew like a weed — even during the global** financial **crisis and the subsequent** economic **bust**. **So it is no surprise the share price of gun makers, such as the famed Smith & Wesson company, are in** rude **health**. Plenty of those riches made by the industry end up in the hands of two organisations: the National Rifle Association and the National Shooting Sports Foundation. Money makes them powerful. The NRA has an annual budget of about $US250 million. It spends $15 for every $1 spent by the gun control lobby and has them on the run. The NRA rates US politicians for how strongly they are committed to the right to own guns, and politicians fear a bad rating. Idaho Governor Butch Otter jokes that “Our idea of gun control in Idaho is to use two hands”. Republican presidential candidate Ben Carson said, “I never saw a body with bullet holes that was more devastating than taking the right to arm ourselves away”. Dr Carson, mind you, is a medical doctor. US gun culture depends on the second amendment to its constitution, which says “the right of the people to keep and bear arms, shall not be infringed”. The idea back in 1791 was that people could rise up and overthrow the government if necessary. Warplanes and tanks hadn’t been invented then but, when they were, people did not get access to them. So the idea that owning guns keeps the government in line is way out of date. The fight now is about which guns to make available to the public. Former US president Bill Clinton banned military-style assault weapons in 1994, but the ban[expired](https://en.wikipedia.org/wiki/Federal_Assault_Weapons_Ban)in 2004. Barack **Obama has had little success in tightening gun access so far**. Some say he is on the brink of a breakthrough [now](http://www.theatlantic.com/politics/archive/2015/12/no-fly-list-inverted-politics/419172/). But the history of the gun lobby suggests he is probably not. **Gun bans are not good for the gun industry**, but fear of gun bans is. After every example of a mass shooting, [gun sales go up](http://time.com/4137749/gun-sales-spike-san-bernardino/). People want them for protection and fear they won’t be able to get them.

Economic decline causes global nuclear war---my impact has a strong statistical basis **Royal 10[[3]](#footnote-1)**

Less intuitive is how periods of **economic decline may increase the likelihood of external conflict**. Political science literature has contributed a moderate degree of attention to the impact of economic decline and the security and defence behaviour of interdependent states. Research in this vein has been considered at systemic, dyadic and national levels. Several notable contributions follow. First, on the systemic level, Pollins (2008) advances Modelski and Thompson's (1996) work on leadership cycle theory, finding that **rhythms in the global economy are associated with the rise and fall of a pre-eminent power and the often bloody transition from one pre-eminent leader to the next**. As such, **exogenous shocks such as economic crises could usher in a redistribution of relative power** (see also Gilpin. 1981) **that leads to uncertainty** about power balances, **increasing the risk of miscalc**ulation (Feaver, 1995). Alternatively, **even a relatively certain redistribution of power could lead to a permissive environment for conflict** as **a rising power may seek to challenge a declining power** (Werner. 1999). Separately, Pollins (1996) also shows that global economic cycles combined with parallel leadership cycles impact the likelihood of conflict among major, medium and small powers, although he suggests that the causes and connections between global economic conditions and security conditions remain unknown. Second, on a dyadic level, Copeland's (1996, 2000) theory of trade expectations suggests that **'future expectation of trade' is a significant variable in understanding economic conditions and security behaviour of states**. He argues that interdependent states are likely to gain pacific benefits from trade so long as they have an optimistic view of future trade relations. However, **if the expectations of future trade decline**, particularly for difficult to replace items such as energy resources, **the likelihood for conflict increases, as states will** be inclined to **use force to gain access to those resources. Crises could** potentially be the **trigger** for **decreased trade expectations** either on its own or because it triggers protectionist moves by interdependent states.4 Third, **others have considered the link between economic decline and external armed conflict at a national level. Blomberg and Hess** (2002) **find a strong correlation between internal conflict and external conflict, particularly during periods of economic downturn.** They write: The linkages between internal and external conflict and prosperity are strong and mutually reinforcing. Economic conflict tends to spawn internal conflict, which in turn returns the favour. Moreover, the **presence of a recession tends to amplify the extent to which international and external conflicts self-reinforce each other.** (Blomberg & Hess, 2002. p. 89) **Economic decline has** also **been linked with an increase in the likelihood of terrorism** (Blomberg, Hess, & Weerapana, 2004), which has the capacity to spill across borders and lead to external tensions. Furthermore, crises generally reduce the popularity of a sitting government. **"Diversionary theory" suggests that, when facing unpopularity arising from economic decline, sitting governments have increased incentives to fabricate external military conflicts to create a 'rally around the flag' effect.** Wang (1996), DeRouen (1995). and Blomberg, Hess, and Thacker (2006) find supporting evidence showing that economic decline and use of force are at least indirectly correlated. Gelpi (1997), Miller (1999), and Kisangani and Pickering (2009) suggest that **the tendency towards diversionary tactics are greater for democratic states** than autocratic states, due to the fact that democratic leaders are generally more susceptible to being removed from office due to lack of domestic support. DeRouen (2000) has provided evidence showing that **periods of weak economic performance in the United States, and thus weak Presidential popularity, are statistically linked to an increase in the use of force**.

The gun industry includes a massive amount of small businesses which are key to the economy, increased gun control measures destroys them. **Hall ’13[[4]](#footnote-2)**

**The** far-flung nature of the **gun industry obscures the role the industry plays in the economy**, said Jake McGuigan, the director of government relations for the National Shooting Sports Foundation. “**There are a lot of smaller manufacturers that support** a very large base of **suppliers**,” McGuigan said. “**These** kinds of **small**, independent **businesses are really the backbone of the U.S. economy**, not the GMs, Wal-Marts and other big businesses.” The relatively **small-scale operations in the U.S. firearms industry are also** **highly sensitive to the regulatory** and economic **landscape**, **as well as pressure from their** loyal **customers who tend to be** extremely **opposed to increased gun control** measures, McGuigan added. A [2011 ATF report](http://www.atf.gov/publications/firearms/121611-firearms-commerce-2011.pdf) noted that **the number of federally licensed firearms businesses dropped by more than half** from “a high of more than 286,000 in April 1993 to a low of 102,020 in March 2000, **likely due in part to the increase in license fees and requirements to comply with** state and local **law** implemented in 1993 and 1994.” The decrease occurred after the U.S. Congress passed the Violent Crime Control and Law Enforcement Act of 1994 – the so-called federal assault weapons ban. Gun dealers saw the biggest declines, falling to 48,676 by 2011 after peaking at 248,155 in 1992, [according to the ATF](http://www.atf.gov/publications/firearms/050412-firearms-commerce-in-the-us-annual-statistical-update-2012.pdf). Licensed ammunition manufacturers also started disappearing after 1994, with 1,895 in 2011 compared with 6,068 in 1994 and a peak of 13,318 in 1983, ATF records from 1975-2011 show. Through it all, however, the number of firearms manufacturers kept growing, reflecting the strength of consumer demand.  **After expanding** by a hundred or more businesses each year **for most of the past three decades, the number of licensed firearms manufacturers shot up** in recent years to 5,441 in 2011 from 2,959 in 2009 and 2,144 in 2004, **when the federal assault weapons ban expired.**

More ev, They’re small businesses are key to the US economy. **Shepherdson ’14**[[5]](#footnote-3)

**You can’t understand the** current state of the U.S. **economy without understanding** the role of **small businesses**.  Big companies have been performing well for the past four years, thanks in part to huge support from the Fed in the early days after the meltdown of the financial system, but the small business sector is barely growing at all, if the monthly survey from the National Federation of Independent Business is to be believed. **Small firms account for about half of GDP and employ about half the workforce, so if they are struggling it is very hard for the economy** as a whole **to grow** in line with its long-term trend.  **Most small firms are tiny**, with fewer than 10 employees, **so their only external source of finance**, apart from the owner’s pocket, **is the bank**. The stock of bank lending to commercial and industrial companies fell by about a quarter in the two years after Lehman, continuing to contract long after the capital markets, which provide most of the finance for big companies, re-opened for business.  **Small firms were not responsible for the boom or the bust, but they are an easy target for banks which have to shrink their balance sheets in a hurry**.  The Fed and the administration saved the banking system, but they did nothing to prevent the massive credit crunch which then engulfed small businesses. Bank lending began to recover in late 2010 and the stock of lending to companies has now returned to its pre-Lehman level, just.  But this takes no account of inflation, and it will take at least another year for real lending to return to its previous peak.  Until that happens, small firms will be constrained in their ability to hire, build inventory and spend on capital equipment, new software, buildings and research and development.  And in the meantime, measures of small business activity and sentiment will remain much weaker than those of larger businesses, and the rate of economic growth will be stranded between the two, as it has been since the recovery began in 2009. **[Wall Street](http://www.forbes.com/wall-street/" \t "_self) is fixated on public companies and doesn’t get the importance of the smallest companies, which is why analysts fall back on the idea that sluggish growth is now the “new normal”.  It is not.**  The economy is sluggish for very specific reasons triggered by the near-collapse of the financial system, coupled recently with the impact of fiscal tightening.  Neither of these phenomena are permanent, and as their importance fades over the next year or so, the economy will return to the 3%-plus growth rates needed finally to pull millions of discouraged workers back into the labor force. I don’t expect an overnight miracle, though, not least because small business owners proved themselves very sensitive to the chaos in Congress over the debt ceiling and fiscal cliff in the summer of 2011 and late 2012, respectively.  With politicians now girding their loins for another fight over the budget very soon, things could easily get worse for small firms before they finally start to recover properly next year.

1. Rouz, Kristian. "The Brink of Recession? $29 Trln in Corporate Debt Weighs as Earnings Fade." *The Brink of Recession? $29 Trln in Corporate Debt Weighs as Earnings Fade*. Sputnik News, 28 Jan. 2016. Web. 29 Jan. 2016. <http://sputniknews.com/business/20160128/1033844309/market-review-debt-economy.html>. [↑](#footnote-ref--1)
2. Jason, news.com.au “Why the gun industry has US over a barrel” December 10, 2015 <http://www.news.com.au/finance/business/why-the-gun-industry-has-us-over-a-barrel/news-story/e4b72289e90b5ceda7778208410d1d99> [↑](#footnote-ref-0)
3. Jedediah Royal, Director of Cooperative Threat Reduction at the U.S. Department of Defense, 2010, “Economic Integration, Economic Signaling and the Problem of Economic Crises,” in Economics of War and Peace: Economic, Legal and Political Perspectives, ed. Goldsmith and Brauer, p. 213-214 LK [↑](#footnote-ref-1)
4. Stubborn Facts: The Gun Industry Employs Twice as Many Americans as GM (and That’s Just the Beginning) Mar. 26, 2013 8:59am Glenn Hall, <http://www.theblaze.com/stories/2013/03/26/nr-draft-how-important-are-guns-to-the-u-s-economy-for-starters-the-firearms-industry-employs-twice-as-many-americans-as-bailed-out-gm/> LK [↑](#footnote-ref-2)
5. Ian Shepherdson  . FOLLOW WALL STREET 9/10/2013 @ 12:25PM 3,718 views Small Businesses Are The (Missing) Key To A Full Economic Recovery <http://www.forbes.com/sites/ianshepherdson/2013/09/10/small-businesses-are-the-missing-key-to-a-full-economic-recovery/> LK [↑](#footnote-ref-3)